

City of Detroit

CITY COUNCIL

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TO: COUNCIL MEMBERS

FROM: Irvin Corley, Jr., Fiscal Analysis Director *ICJ*
Derrick Headd, Fiscal Staff Analyst *DH*

DATE: February 10, 2010

RE: Implementation of Clawback Provisions within Industrial Facilities
Exemption Certificate (IFEC) Agreements (**Preliminary Report**)

At the January 28, 2010 meeting of the Planning and Economic Development Committee, Fiscal and RAD were asked by Councilman Cockrel to strengthen the clawback provisions within the current Industrial Facilities Exemption Certificate (IFEC) Agreements, for the Public Act 198 tax abatements and to present those recommendations to Council. A *clawback* is defined as previously given monies or benefits that are taken back due to specially arising circumstances. In this case, the clawback referenced, relates to the taking back of the money an abatement recipient has saved due to its tax abatement at a particular referenced period of time.

Today, we are submitting our preliminary report. To-date, we have initiated this process by reaching out and contacting the cities of, Troy, Warren and Sterling Heights to discuss their PA 198 overall policies and their clawback policy provisions and to obtain and review the language contained in their respective agreements. In addition, with the assistance of RAD staff, we have facilitated several meetings to discuss tax abatement policy with Dr. Gary Sands, and representatives of tax abatement recipients.

Based on the review of the current prevailing Public Act 198 provisions, the City of Detroit's own current IFEC agreement, and a review of the policies and contracts of the cities mentioned earlier; in addition to our discussions with Dr. Sands and the tax abatement recipient representatives, Fiscal and RAD has determined that the overall City of Detroit Public Act 198 policy itself requires a more comprehensive approach. Within the next two weeks, Fiscal and RAD is setting out to accomplish these primary goals:

1. Clearly define the "bad actors", when it comes to tax abatement policy enforcement.
2. Not only provide a clearer focus on compliance, but to also provide a greater emphasis on retention as well, with the City's departments (DEGC) providing assistance.
3. Refine the language in the current contract; strengthen provisions, clean up the language, etc.

It is our belief that this approach is the most prudent course to accomplish the collective goals of Council, to provide policy enforcement, while helping to maintain employment in the city of Detroit under the City's Public Act 198 program.

Please contact us if we can be of any further assistance.

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